



Approved as amended by the City Council on July 2, 2018

**City Council Budget Workshop Meeting
May 9, 2018**

Call to Order

Mayor Giunta called the meeting to order in the Council Chambers, Franklin City Hall at 6:01 p.m.

School Board in Attendance

Superintendent Dan LeGallo, Chair Tim Dow, School Business Administrator Amanda Bergquist

City Council in Attendance

Mayor Tony Giunta, Councilor Paul Trudel, Councilor George Dzujna, Councilor Jo Brown, Councilor Heather Moquin, Councilor Bob Desrochers, Councilor Olivia Zink

Absent

Councilor Steve Barton, Councilor Scott Clarenbach

Salute to the Flag was led by City Manager Judie Milner

Mayor Giunta welcomed everyone and asked the Council to move and sit in the audience seats to view the presentation slides that were set up behind the Council up on the stage.

Business Administrator Amanda Bergquist began with the Projected Revenue. She stated that the first two lines together are revenues received from the City. The 4 million at the top is from taxes and the education tax is the State portion. The next line is tuition from Hill and we're down to 71,000. I believe there's four or five students left that are still attending the high school. The Adequate Education grant, we've lost \$494,000. Part of that is made up of an \$81,700 loss mid-year this current school year. The budget was approved and then the State came in and said adequacy is going to be reduced by \$81,000. The rest of the money there is the 4% reduction and some adequacy money lost from the number of students attending the school. She continued stating that we have Medicaid distribution where we have a small loss. The indirect costs from Grants are an estimate based on the expected number of Grants. This current year, our percentage has gone down. To anticipate next year, there's another reduction in the percentage of indirect costs. She stated that she added \$100,000 conservatively. Projected Fund Balance is \$160,000. We are receiving money for kindergarten this year and a Technology Trust that's held at trustees here in the City for \$43,000. She stated that the City Council voted for an additional \$93,411. We also receive a check for the Charter Schools which a portion of the expense has to go to one on one support occupational therapists to tend to IEP children that attend the Charter School.

Bergquist continued with Food Service stating that revenues have dropped. They are coming in \$535,000 which is \$76,000 less than last year and the rest of the reduction is due to the fact that at the end of every year we have to transfer money from the General Fund over to food service to make it zero. The last three years this has been done at an average of \$60,000-\$75,000. She stated that some of the funding isn't received until after the end of the school year; August and sometimes September. She discussed Projected Grant Funds and provided a hand-out. Project Aware and the Systems of Care Grants for the 2018/2019 school year will be the last year for those grants. To date, we have not heard whether there will be other grants to fill it or if they can be extended. The other Grants that we get every year are the Title 1, The IEDA, Adult Basic Ed, and Adult Basic High School. They were

projected on the lower side, the actual dollar amount does not come in until August, sometimes May or even September. She stated that the expenses that go with the revenues from grants are not included in the budget and they're very specific. They will send it back to us with something in the grant that they will not cover. Title I and IDA are automatic. A position can be eliminated from our budget and expect to put it in the grant the next year. They won't allow that.

Superintendent Dan LeGallo presented the Budget Summary. Operating Budget is \$15,727,335 which is 2.1% increase over the current year. Grant projections are lower than what this year. Quick facts: we have about 1,021 students in our district right now. We have three schools. The elementary school has 232 students in grades 1 through 3. We have 36 preschoolers and 62 kindergartners. Kindergarten registration for next year is already at 70. The middle school has five grades 372 students. The High school has 310 students. The percentage of free reduced lunch that we serve in the District of. Paul Smith is 60-65%, Franklin Middle School is 50-59%, Franklin High School is 51% and Compass Academy is 55%. This is included on this report because we feed them lunch.

LeGallo walked through the breakdown of Enrollment by School. It has been dropping. He stated that we lost about 65 students from last year to this year. This year we cut three classroom positions in response to that. He stated that this refers to what he was talking about Monday night. Enrollment is the first thing we look at when we cut the budget. We're projecting our enrollment to be flat for next year because most of the Hill kids are gone with the exception of a handful and because we have a larger group of kindergartners coming in. He explained a pie chart that shows where the money is spent. Salaries, Benefits, and Personnel is a large portion; 72%, Purchase Services 17.6%. Supplies Food, Property, and utilities are 7.9%. Then the principal and interest on the two bonds that we're paying is 2.7%. Instruction Staff Distribution is 76% made up of teachers and support staff, Administration is 11%, Facilities including custodians is 10 % and Business Support is 3%.

LeGallo explained per pupil expenditures. Federal grants were added into these as requested, the jump in the, per pupil costs can be seen. The last two years we've included the 1.6 to 1.9M worth of grants. \$12,300 is the current per pupil cost.

LeGallo reviewed the per pupil cost by school and post graduate information. We actually have a new tracking system in place with the hopes to bring this type of information to the City Council more often than we have been. The Educational Attainment of Teachers 2016 and 2017 graph shows the percentage of the staff that have master's degrees versus percent that have bachelor's degrees. Franklin has over one third of its teachers with Master's Degrees and about two thirds of the teachers with Bachelor's Degrees.

Business Administrator Amanda Bergquist reviewed the budget by function highlighting that \$5M is spent for regular education and pointed out the lines and description of each of the programs. She stated that Vocational increases for next year because of the anticipation of more children participating in it and in the afterschool programs and such as graduation and class band practice. Those teachers get a small stipend. The Athletic Program, which is all inclusive, is \$256,000. The adult education program, which includes two small grants, is \$22,000. Adult Basic Ed and Adult High School is also offered. This program helps retain some of the students so that our dropout rate is lower. She also stated that in this District, we have one social worker paid out of this budget and then we have two other social workers within the district that are covered under the Aware Grant. The Guidance Service is \$486,000. There are also the nurses and psychological services costing \$336,000 and part of that money is an outside service for psychological.

Bergquist continued stating there's a grant that covers speech services and hearing services. The improvement of instructional devices which are for required IEP's (hearing devices). Salary is included in the budget to show sustainability. A lot of the grants asked for that and we don't typically provide it because it's just not available for the budget. Then there's also a small portion of that that's part of conferences and workshops. The school library and technology from supplies to replacement computers and the technical service licensing that we have to pay for which and all of these costs are \$255,000. The Office of the Superintendent is \$330,000. The Principal's and Admin services plus a small portion for graduation combined cost is \$819,000. Business services is \$303,000. All the #2600 accounts amount to \$1,276,000 which includes accounts to cover the expenses for operating of the buildings such as the facilities manager, the custodians, water, heat, property insurance, Natural Gas, Electric, and anything that breaks is in this area. Also included in this are all the supplies for paper products for the bathrooms like toilet paper.

Bergquist further explained Services, which is transportation, and this includes the buses, the fuel for the buses, the few vehicles that the district owns, registration, and tire replacement combined costs of \$740,000. The IT director and an assistant is \$141,311 (salaries and benefits). Unused sick days and HFFA, and DCAF fees, and FFA fees combined costs are \$9,375. Debt Services costs \$409,000. Food Services is \$598,800. She stated that this brings us to a total budget of \$15,272,000. Anticipated revenues are \$14,282,900.

Superintendent Dan LeGallo explained the last slide showing the notice of layoffs. Notifications will begin tomorrow. This is required by law to do so by May 11.

Mayor Giunta stated a pet peeve of his for the last 18 years going back when he was mayor in the year 2000, the Special Education Program costing nearly \$3M. Special programs are needed for sure but 40% of that number is supposed to be reimbursed by the federal government if the federal government mandates that we satisfy that program. We are out of control with that program. Not out of control spending wise. We have no control of it. He stated that other people decide the fate when it comes to those monies spent. Mayor Giunta stated that it frustrates him that we don't get reimbursed for it and yet we are forced to do it. He asked School Board Chair Tim Dow to share some of the higher cost programs and if you have any ideas and a roundabout figure of how much we're getting back. He believes it's around only 15%. Chair Dow stated that it's about 16-17% and the State is getting reimbursed around 21%. Mayor Giunta stated that it is very frustrating because if we got reimbursed, we probably wouldn't even be talking about a shortfall this year. Dow responded that this has been an ongoing issue with the Special Education reimbursement with the federal government.

Dow continued stating that the original special education program budgets started was over \$3M between the Administration and School Board. The School cut approximately \$177,500 out of Special Education in hopes that we don't get hit in and additional special education needs. This is very uncomfortable to do because it is unpredictable and expensive to plan for. Dow continued stating that we are mandated by federal and state law to fulfill this. The budget for Special Education has no room for error. If someone from our district comes in just needing an ear piece as part of their education, we are required cover it.

Dow continued that it can seriously impact our special education line item to the point we'll probably have to go back to the City. Dan LeGallo stated that out of district placements can range up to \$80,000 to over \$300,000. We spent \$800,300 on out of district placements. When we talk about trying to bring kids back to the district, we can do a better job here with resources we have here. We always looked to do this.

Mayor Giunta stated that he will personally place a phone call to the Governor because we just got a federal budget passed for \$1.3 trillion dollars for stuff that you wouldn't believe was in that budget. It is ridiculous. And they still can't reimburse for what is everybody is being forced to do.

Chair Dow stated that he and Superintendent LeGallo attended several hearings in Concord during the last month and one of the things that was said the other night was the fact of going down there and speaking into legislation about state adequacy funding. This problem isn't going to change anytime soon. He stated that he was told that the money that comes from the state is what you get. Stabilization is dropping at 4% a year and there is no way to control that. Legislation has a Bill to look at how Adequacy is being figured but it's not going anywhere this year. Over the next 25 years, stabilization goes away and the City has to pick up the cost.

Chair Dow stated that Claremont III will need to happen. It must be the City to initiate the lawsuit. There is going to be a forum in Pittsfield to discuss this. There are other school districts dealing with this same issue.

Chair Dow stated that a lot of time is spent in meetings for himself and the Superintendent LeGallo. Both attended approximately 145 meetings this year to deal with these issues. He stated that 18.5 positions have been eliminated in the last 2 years. We need to look at the allocation of money to the City. This is a practice that continues with the City Managers and the City Council both past and present it needs to be changed. We cannot continue with a 66/34 split. He stated that previous City Manager Elizabeth Dragon gave over \$900,000 to help offset the cost of the budget. The split had been about us 62/38 split. Dow requested \$15,272,000 from the City. The teachers, students, and citizens of this City deserve it. He stated in the five years on the school board, he hasn't heard any one of the City Council say this should be looked at. Next year, the school is getting \$4M from the taxpayers but the City portion is \$7.6M. He stated that taxes should be equally split. Dow requested a 4% increase per year for 5 years bringing it to 54/46. He expressed deep concern to bring the split closer to an equal split.

Dow believes that an efficiency study should be done on both sides. But the cost of this is going to be upwards of \$250,000 and we can't afford that right now. He asked the City to look at some of these things we need to do to fund a school budget that the citizens and the children of Franklin deserve. He asked to give that \$250,000 to the school until we are in a better situation. It's going to hurt. It's going to mean cuts for the City and override the tax cap. He stated that there's nothing guaranteed that spending \$250,000 right now will give us anything in return and he does not support it at this time. There's no more to cut or fluff in the budget.

Councilor George Dzujna stated that both the School Board and City Council need to be on board with the survey or it will be like just throwing money away.

Councilor Desrochers stated that if there is some publicity shown on what is going on here down in Concord that is what is needed. Mayor Giunta stated that Franklin pays more in Adequacy funding than the State does.

City Manager Judie Milner stated that we can't tax citizens more than we already do. The School and the County get to utilize their whole portion of the tax pie even though we haven't collected it all. The cost of City calls for service increases each year. It's not the fault of the City that the State isn't providing their share. Disparity changed to Stabilization which eventually goes away. This was done in

a sneaky way through the budget, attaching it to a different Bill. At the same time, they changed the look back on enrollment. The City is looking at the Adequacy piece. Download the Equalized Value Per Student from the DOE website, you will clearly see the Claremont people. She stated that it can be a five-year process, so we need to start now. Should we also review the look back to so that you don't lose adequacy mid-year. Milner asked what the priority is. The intent of Claremont II was to show the Disparity piece.

Milner shared a couple of solutions. 1. Ship our children to another school where they don't become part of that school district and 2. Regionalize and become part of that school district. The cost per student on the DOE website, from larger districts, is around \$10,000-12,000. According to The DOE, ours is \$13,000. And even smaller districts are higher.

Chair Dow stated that none of the TIFF money returns back into the school or the City but Milner further explained that the TIFF investment is bringing in a \$20M project that will give \$500,000 in revenue. Dow asked Milner, of the \$14M, what is the City keeping from the taxpayers of Franklin? Milner referred to page 59 of the budget. \$7.6M supports the operations of the City. Milner also stated that the Adequacy sheet she handed out has a lot of great information on it. The school tax dollars before Claremont II (in 1998 before Claremont) the school district allocation was \$8.9M. Twenty years later of Claremont II, \$4M Disparity is lost and we're back to where we were.

Milner stated that she understands that there's a decrease in enrollment however costs have increased and we need to do something about Adequacy now. We won't feel it for years but she strongly feels and would love to support it and be a part of something stronger than the Legislature.

Chair Dow reviewed the final numbers of taxpayer's dollars from the City of Franklin, stating that school is receiving \$5,200,000 and the City is receiving \$2M over that.

Mayor Giunta commented that even with a 50/50 split, it doesn't last long. He then asked Judy to put together a budget and present to the Council what that would look like. He wants to see the cuts, firefighters, Police and Municipal Services cuts. We don't have to break the cap to look at the effects of a 50/50 split.

Chair Dow then asked to look at a 4% increase this year and then 2% each year for the next four years and do this incrementally. Mayor Giunta stated that once we do the 50/50 split, will it take care of the problem. Dow responded and stated that it would help. Mayor Giunta stated that it would have to take care of the problem and if we just look at the \$500,000 and not the whole 50/50, we're still in catastrophic mode.

Councilor Zink asked several questions on how to bring the gap in closer and wanted to look at actual revenue wondering why a few were still blank. She also asked Business Administrator Amanda Bergquist to review the variance of the Adequacy funding and wondered if it had to do with the proposed budget. Zink also inquired on the Custodial Services at \$1.2M and has the school looked at privatizing those services. Bergquist responded that they are looking into this.

City Manager Milner requested the expenditures and revenue of Food Service. Depending on that number, that number needs to be added to the \$759,000 shortfall if we are taking Food Service into the General Fund.

Councilor Desrochers stated that a 50/50 split isn't going to correct this problem. It might look good on paper. But we'll find ourselves right back in the same place.

Councilor Moquin stated that these issues repeat year after year and that City Manager Milner is making suggestions and we're talking about making long term solutions. If we did this one-time fix, it buys us time and shows good faith between the Council, the School, and the Community. No matter what we do, the message must be clear and transparent. We can't just do this one-time fix. More needs to be done such as the Economic development the Whitewater Park. All the things we've been talking about.

Councilor Jo Brown directed a question to Chair Dow wondering if the property taxes are the same in the other tax cap communities. She wondered if this is contributing to the Disparity. If you're comparing Bedford to Franklin that's one thing but if you comparing Pittsfield to Franklin, that is another. I wonder if we're comparing apples to apples when we compare the tax cap.

Mayor Giunta stated that the amount of money to comes back from the State. At the end of Claremont II, Franklin was a bonus recipient of all kinds of cash. Based on that, and what the schools needed to run the allocation of more tax dollars locally, could go to municipal services. As that diminished, Disparity looks frustrating to us today but it wasn't 8-10 years ago.

Chair Dow explained that Berlin's tax cap is \$39.19. They give \$17.88 to Municipality and \$14.91 to Schools. That's a difference of \$2.91. Dover has a tax rate of \$25.87. Municipality gets \$9.96 and Schools get \$10.91. Most communities are paying \$2.34-\$2.65 on Education tax.

City Manager Milner stated the difference in the other communities is the Disparity. That is going away. Franklin received the largest adequacy grant of the State of NH. After Claremont II, were at \$8M right after Claremont II. The other places being compared to us are more like \$4M. We receive an extra \$4M from the adequacy grant so we didn't need to put in so much more at the community level. Why it's so painful now is because Stabilization is now called, they're no longer recognizing Disparity which is again, against the Claremont II decision and that Stabilization is going away from the state of New Hampshire. That's why we're starting to feel the pain. But when we compare to other communities like that, we have to take into account, the Claremont II. It's part of the reason why the rate is what it is.

Councilor Brown asked how raises were negotiated with the union. Chair Dow replied that it was done on revenue that they knew was coming in through Kindergarten and other areas of revenue that we knew were coming in. She also commented on why the School doesn't consider consolidation of the Finance Office. She also commented on how the Director of Municipal Services is down four people and you've got students that could go through a work study program that could work cooperatively with his area to get credits. If the State is going to deny us the funds that we need, then it is incumbent upon us to figure out a better, more effective way to educate our kids. In a City like ours where every single person needs to pull their own weight, why can't we work together through the financial committee where the school can provide manpower and expertise and our City can benefit from what you're teaching your kids. Why can't we put together some kids to put together some kind of a program as a lot of charities do, that help repair the homes of our aging or keep them off the tax deed rolls, that can help them take care of their property when they are not able to. A small business can be set up in one of these open fronts here. Brown expressed that this is the kind of forward thinking I think that we need to be doing as a community.

Mayor Giunta addressed Councilor Brown's discussion as passionate and requested that she Chair a special Mayoral Committee and look at making some changes to education. Mayor Giunta asked Tim Dow if he would be Co-Chair. Tim agreed. Mayor Giunta also would like someone from DOE and looks forward to hearing more from the public on this. He thought some of these changes were going to start happening a year ago but hasn't seen anything yet. We have to break the mold.

Councilor Zink expressed concern for tomorrow seeing possible pink slips and asked to review the actual gap. City Manager Milner reviewed the numbers and arrived at \$822,304.

School Chair Tim Dow concluded on behalf of the School Board, he thanked everyone for their time tonight for listening and working together on a solution. Mayor Giunta thanked Chair Dow and Business Administrator Bergquist and the entire School Board for their hard work.

Councilor Ribas stated that we are basically looking at \$145,000 less in the gap and was thinking of what that might work out to be in positions. He stated that at this point, we can't guarantee anything more and will need to RIF based on that number. He also asked if the June 13th Budget Workshop meeting could be moved so folks can attend the Adequacy meeting in Pittsfield.

**Motion to adjourn made by Councilor Desrochers.
Seconded by Councilor Trudel.**

All in favor. Motion passed.

Meeting adjourned at 8:32 PM

Respectfully Submitted,

Audrey Lanzillo